



ORIGINAL

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Glenn T. Reynolds
Division Chief
Enforcement Division, Common Carrier Bureau
Federal Communications Commission
445 12th Street, S.W.
Room 5-A847
Washington, D.C. 20554

**RE: CC Docket No. 94-129, Implementation of Subscriber Carrier
Selection Change Provisions of Telecommunications Act of 1996**

Dear Glenn:

Thank you for meeting with representatives of TRA regarding the issue of mandatory carrier identification codes (CICs) for long distance service providers. As we explained during our visit, requiring all interexchange service providers to secure and implement a CIC would increase their operating costs significantly and erect a huge barrier to entry for small to mid-size companies. We hope the following information¹ helps to give the Commission a clearer understanding of the expenses and procedures associated with implementing a CIC and the serious hardship a mandatory CIC requirement would place on scores of interexchange service providers.

Tandem Trunk Activation Fees

Local exchange carriers (LECs) who own a toll tandem point of presence (POP) where a reseller's underlying carrier has obtained direct trunk groups impose a fee for activating a new trunk group for the reseller's CIC. It is difficult, however, to narrowly estimate the activation fee on a per POP basis because the charges billed by LECs to the underlying carrier are not consistent. This may be because new trunk groups are not added as often as in the past and, since the service is not tariffed, the charges are calculated almost on an ad hoc basis.

Although they vary widely, the fees LECs impose to add new trunk groups are considerable -- even at the low end. On a per tandem basis, we estimate the fees range from \$400 to over \$2,000.

¹ The information was assembled by the Competitive Communications Group, a telecommunications consulting firm based in College Park, Maryland.

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To have full access to a carrier's network, a reseller needs to match the carrier's POPs wherever the carrier has coverage. Estimating trunk activation fees for a reseller seeking complete access to a nationwide carrier's network, therefore, requires multiplying per tandem fees by the tremendous number of POPs throughout the United States where a reseller must order service. Using this approach, we estimate a reseller's total tandem activation fees would range from a low of \$400,000 to a high of \$600,000.

ASR Costs

In order to secure tandem access, a reseller must submit an Access Service Request (ASR) to each LEC to order the one minimum trunk group required to activate a CIC. ASRs are arcane and obscure, and the expertise required to complete them properly is not easy to find or hire. This is compounded by the fact that while the ASR is a standard nationwide form, each Bell Operating Company has a different interpretation of how the form must be completed. Since drafting ASRs requires unique skills and is not a normal in-house function, most resellers hire a consultant or engineering firm to handle the task on an as needed basis.

The charges for having the ASRs produced varies widely but prices generally range from \$250 to \$1,000 per completed ASR. We estimate, therefore, that the total cost of completing and submitting the requisite ASRs to implement a CIC on a nationwide basis would range from \$300,000 to \$400,000.

Alternately, a reseller could hire an employee to perform the ASR function at an annual cost of approximately \$100,000. This cost, however, would be a recurring one and difficult to quantify with respect to implementing a nationwide CIC.

Regulatory Fees

There are additional regulatory costs for converting to a facilities-based carrier from a pure reseller. First, there are regulatory filings to make since many states have a different level of certification for a facilities-based carrier as opposed to a pure reseller. The process for converting entails reviewing the certification process in each state and filing the appropriate documents to change from reseller to facilities-based provider.

There is also the cost of tariffing. Usually when a carrier orders a CIC to become facilities-based, it also introduces a new set of pricing to reflect its ability to purchase less expensive wholesale toll service.

Summary

The total cost of implementing a CIC largely depends on the underlying carrier with which a reseller is doing business. Each interexchange carrier has a different number of toll POPs where it has a presence. AT&T and MCI/WorldCom have the most POPs, followed by Sprint and Frontier. After that, the number of POPs for other carriers

decreases considerably even though there are a few carriers, like Qwest, that are quickly approaching the size of the largest ones. There also are a number of regional interexchange carriers that have complete coverage but over much smaller geographic areas.

The estimates included in this letter and summarized below specifically address the costs of implementing a CIC for MCI/WorldCom, Sprint, and Frontier, the largest nationwide carriers other than AT&T. AT&T has the largest network and would cost more to obtain access, but there are few resellers using AT&T.

	<u>Low</u>	<u>High</u>
Tandem Activation Fees (and increasing over time)	\$400,000	\$600,000
Issue ASRs	\$300,000	\$400,000
Regulatory Filings	\$50,000	\$100,000
Facilities-Based Toll Tariffs/Prices	\$30,000	\$50,000
Overall Project Coordination	\$5,000	\$10,000
Total CIC Implementation Costs	\$785,000	\$1,160,000

Additional Considerations

Once a reseller has a CIC that matches a particular carrier's network, it would be difficult and costly to shift to another underlying carrier. Switching to another carrier would require obtaining a CIC in all of the new carrier's tandems that are different from the existing network of connected tandems. Since carriers have different networks that do not use the same POPs in every city, the estimated cost of changing to a new carrier may be as high as one-third the cost of the initial tandem activation fees and ASRs. In other words, the cost could range from \$150,000 to \$300,000. This degree of expense presents a formidable obstacle to resellers who are considering changing carriers.

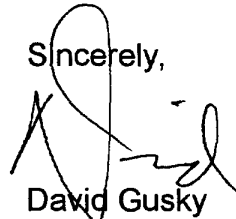
Keep in mind, also, that the estimated costs summarized here address only those expenses associated with implementing a CIC with a single underlying carrier. Many if not most resellers have business relations with more than one carrier. Where this is the case, expenses would be considerably higher.

Finally, please note that the CIC implementation costs are not entirely non-recurring. Every time a reseller's underlying carrier adds or moves a toll POP, the reseller must also change its trunking configurations to match. The estimated yearly cost to a reseller of staying abreast with the network changes of the underlying carrier is \$100,000.

Once again, we hope this information offers the Commission a better understanding of the tremendous resources required to implement a CIC and the serious hardship a mandatory CIC would place on scores of interexchange service providers, especially small to mid-size firms.

Please call if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Gusky', written over the printed name.

David Gusky
Executive Vice President

cc: Anita Chang
Colleen Heitkamp
Kimberley Parker